Atlantic Canada Opportunities Agency

Agence de promotion économique du Canada atlantique

2010-11

Departmental Performance Report

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Minister's Message

It is my pleasure to present the Atlantic Canada Opportunities Agency's (ACOA) 2010-11 Departmental Performance Report.

In 2010-11, Canada started to see signs of recovery from the global economic crisis. Because our Government acted quickly to put in place stimulus initiatives designed to protect our national economy and support Canadians through the recession, Canada was able to navigate through the economic downturn to emerge in a position of strength and as a model for the industrialized world.

ACOA has long played a significant role in strengthening Atlantic Canada's economy by providing support to communities and by helping small and medium-sized businesses become more innovative, productive and competitive. In 2010-11, the Agency was also instrumental in delivering our Government's economic stimulus initiatives in the Atlantic region. Through the Community Adjustment Fund and the Recreational Infrastructure Canada program, communities across Atlantic Canada received support to renew infrastructure and be more innovative in resource industries, which helped to create and maintain much-needed jobs.

Our Government will continue to provide strong, stable stewardship of the national economy to ensure Canada's full recovery from the economic downturn and lay a foundation for long-term security and prosperity for Canadians from coast to coast to coast. And in Atlantic Canada, ACOA will continue to play a key role in the delivery of federal programs and initiatives, to the ongoing benefit of the communities and small businesses of this region.

The Honourable Keith Ashfield
Minister of Fisheries and Oceans and
Minister for the Atlantic Gateway

Minister of State's Message

One of the strengths of the Atlantic Canada Opportunities Agency (ACOA) is its ability to identify and address the economic challenges and opportunities of the Atlantic region. Working with its many partners, the Agency has a strong record of designing and delivering effective programming that helps businesses to start up and grow, and communities to prosper.

Our Government recognizes the value of the work ACOA does in Atlantic Canada. That is why, between 2009 and 2011, the Agency was given responsibility for designing and implementing Economic Action Plan initiatives in the region, which created jobs and supported Canadians during the global economic recession.

With Canada's economic recovery under way, jobs and growth remain our Government's top priority. In 2010-11, ACOA focused on promoting the development of critical workforce skills and on encouraging research and development as key engines of economic growth and job creation in Atlantic Canada. The Agency continued to provide effective support for innovation through the Atlantic Innovation Fund and the Business Development Program. It also pursued its work to open new markets for businesses across Atlantic Canada to support the region's prosperous engagement in the global economy.

This report outlines the many key successes ACOA achieved over the fiscal year 2010-11 and clearly demonstrates how the Agency is an effective partner and tireless champion of this region.

The Honourable Bernard Valcourt
Minister of State
(Atlantic Canada Opportunities Agency)
(La Francophonie)

Section I: Organizational Overview

Raison d'être

The Atlantic Canada Opportunities Agency (ACOA) works to create opportunities for economic growth in Atlantic Canada by helping businesses to become more competitive, innovative and productive, by working with communities to develop and diversify local economies, and by championing the region's strengths in partnership with Atlantic Canadians. It plays an important role in developing and supporting policies and programs that strengthen the region's economy. This work addresses the Agency's mandate "to increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region" (*Atlantic Canada Opportunities Agency Act*, R.S.C., 1985, c. 41, 4th Supp.).

Responsibilities

Established in 1987, ACOA is the federal department responsible for the Government of Canada's economic development efforts in the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador.

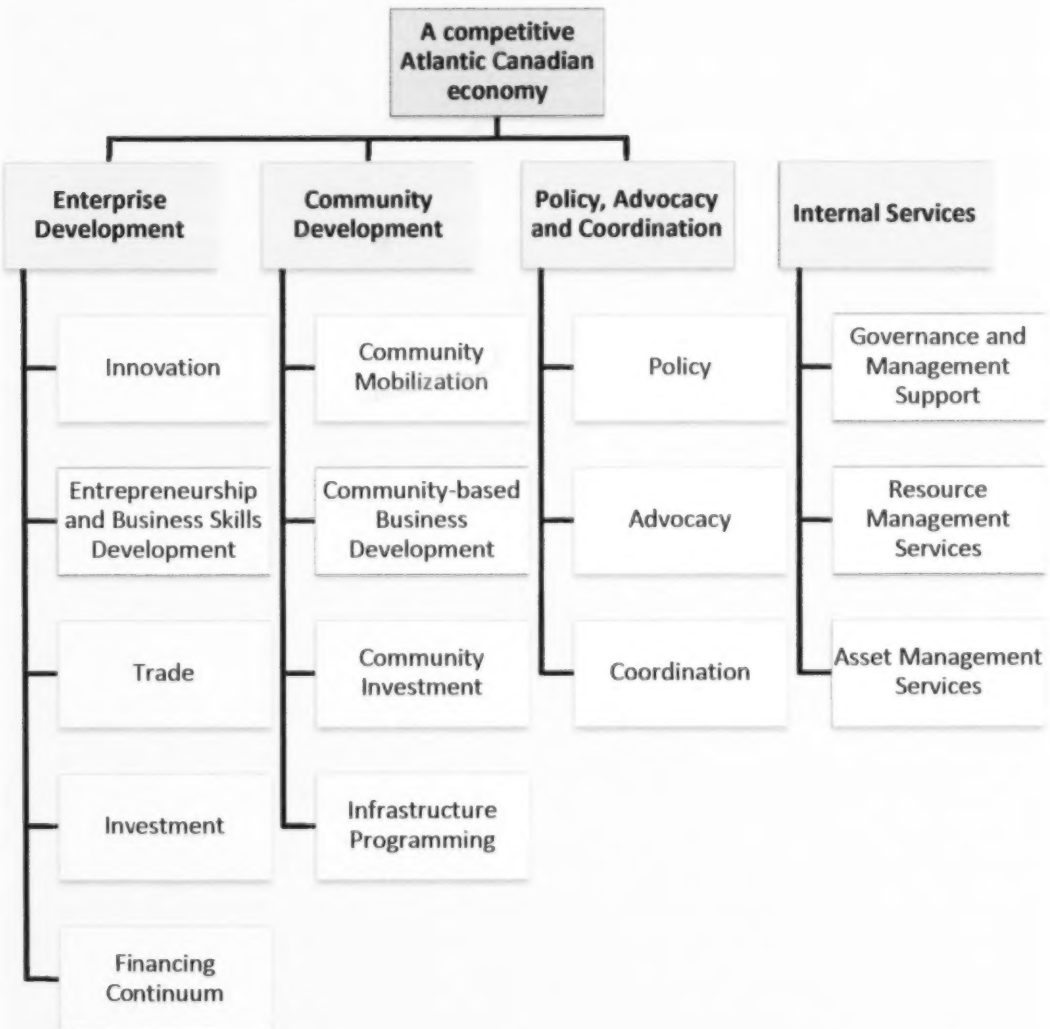
ACOA's head office is in Moncton, New Brunswick. Offices are located in all four provincial capitals in Atlantic Canada, each led by a regional vice-president. The Agency also provides services via a range of local field offices throughout the four provinces. In addition, through its Ottawa office, ACOA ensures that Atlantic Canada's interests are reflected in the policies and programs developed by other departments and agencies of the federal government.

Although the Agency's policies and program tools have evolved since its inception, the overall goal remains constant. ACOA helps the Atlantic region to realize its full economic potential in terms of productivity, competitiveness and growth. This is achieved by identifying and addressing structural changes in the economy, helping communities and businesses to overcome challenges, and finding new opportunities for growth. ACOA is committed to helping the region make the transition to a more innovative, productive and competitive economy.

Strategic Outcome and Program Activity Architecture

The diagram below illustrates ACOA's strategic outcome (a competitive Atlantic Canadian economy) and Program Activity Architecture (PAA). The PAA is based on the results of policy research and analysis, the periodic assessment of program relevance and performance, ongoing dialogue with stakeholders in the region, and the priorities and directions of the Government of Canada.

ACOA's PAA for 2010-11 comprised four program activities (shaded pale grey below) and 15 program sub-activities.



Organizational Priorities

Legend for the "Status" of each priority (below) and the "2010-11 Performance" of each program activity (section II).

Exceeded: more than 100% of the expected performance level (or target) was achieved.

Met all: 100% of the expected performance level (or target) was achieved.

Mostly met: 80% to 99% of the expected performance level (or target) was achieved.

Somewhat met: 60% to 79% of the expected performance level (or target) was achieved.

Not met: less than 60% of the expected performance level (or target) was achieved.

All organizational priorities support the Agency's strategic outcome: A competitive Atlantic Canadian economy.

Priority	Type[1]	Program Activity
Productivity and competitiveness	Ongoing	Enterprise Development Policy Advocacy and Coordination

Status: Exceeded

- In order to maximize its impact on Atlantic Canada's productivity and competitiveness, ACOA continued to focus its activities on fostering innovation capacity by providing funding for research and development (R&D) projects and for the adaptation of leading-edge technologies that enhance productivity.
- Improvements to the region's main productivity drivers continue to be implicitly embedded in every program ACOA delivers.
- The Agency invested $70 million in R&D projects and over $20 million in technology adaptation projects.
- The Agency also invested more than $7.5 million toward improving business competitiveness through a number of activities such as training, supporting small and medium-sized enterprises (SMEs) to hire skilled personnel, and improving productivity and quality.

Priority	Type	Program Activity
Innovation and commercialization	Ongoing	Enterprise Development

Status: Exceeded

- The Agency placed an increased focus on commercialization by supporting R&D projects that have the best probability for commercial success and by identifying and pursuing commercialization opportunities throughout Atlantic Canada.
- In 2010-11, the Agency approved $1.5 million in commercialization initiatives and assisted Atlantic Canada's SMEs and institutions in reaching their commercialization potential through project investments that included: just-in-time consulting, senior management mentoring, investor-readiness training and access to international markets, and cluster development.
- Additionally, the Agency continued to support Springboard Atlantic Inc., which combines the research and commercialization strengths of its 19 university and college members to create a pan-Atlantic network. Springboard Atlantic Inc. supports the commercialization of Atlantic Canadian research through the transfer of knowledge and technology to the private sector. This network was instrumental in facilitating public-private partnerships nationally, internationally and throughout Atlantic Canada.

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[1] "Type" definitions:
- New (newly committed to for fiscal year 2010-11)
- Previously committed to (committed to one or two fiscal years earlier, i.e. 2008-09 or 2009-10)
- Ongoing (committed to at least three fiscal years earlier, i.e. 2007-08 or earlier)

Priority	Type	Program Activity
International business development and strategic foreign markets	Previously committed to	Enterprise Development

Status: Met all

- ACOA met all objectives defined for 2010-11 by staying aligned with Canada's Global Commerce Strategy and supporting the Americas Strategy, the India Initiative, and the National Gateways and Trade Corridors Strategy.
- The Agency organized or funded several projects in target markets including India, China, Brazil, Panama, Chile and Europe.
- ACOA continued the implementation of an integrative trade strategy to ensure that its efforts aim simultaneously at increasing exports, attracting foreign direct investment, encouraging technology commercialization and raising the region's profile abroad.
- The Agency showed leadership in rallying all federal and provincial partners behind a new approach to international business development based on a common logic model and performance management framework.

Priority	Type	Program Activity
Deliver on Budget 2009 – Canada's Economic Action Plan (CEAP)	Previously committed to	Community Development

Status: Exceeded

- ACOA played a critical role over the past two years in successfully implementing and delivering the CEAP programs in Atlantic Canada – the Community Adjustment Fund (CAF) and Recreational Infrastructure Canada (RInC). In 2010-11, the CEAP made significant investments in support of industries and communities impacted by the current international economic crisis. The Agency maintained the appropriate balance between rural and urban needs. Investments in rural regions of Atlantic Canada represented 69% of ACOA's allocation for the CEAP, while investment in urban regions represented 31%. This split is representative of ACOA's overall urban-rural investments in past years.
- CAF committed $101.1 million and leveraged an additional $186.5 million from other funding sources for a total of 183 projects, exceeding the two-year target of 150 projects. The two-year target of $260 million of investments in enterprises or communities was also exceeded, with combined investments worth $287.6 million in Atlantic Canada.
- For RInC, a total of 230 projects were approved, fully committing the Agency's allocation of $34.2 million and leveraging an additional $80.41 million through provincial and municipal governments. Between April 1, 2009, and March 31, 2011, 188 projects were successfully completed. Additionally, 49 projects were proposed for an extension to October 31, 2011.

Priority	Type	Program Activity
Public Service Renewal and business/human resources integration	Ongoing	Internal Services

Status: Met all

- Public Service Renewal (PSR) continues to be an integral part of ACOA's culture and was a key management priority for 2010-11. To institutionalize this initiative, the Agency specifically earmarked funds and solicited ideas from its staff for the design and implementation of these activities. Following successful pilot projects, many of these initiatives have become ongoing activities and are being funded from baseline budgets. Examples include the continuation of leadership development initiatives, enhanced continuous learning plans and in-house career counselling.
- The Agency developed a people management program to provide sustained support to its managers through tools and enhanced skills to manage people and performance. In the Management Accountability Framework Round VIII, ACOA again received a strong rating on the component Excellence in People Management and showed significant strength with respect to Employee Engagement, Leadership and Employee Learning – particularly in learning through experience. The Agency has taken significant steps to establish a culture of continuous learning through the development of an online Continuous Learning Plan, which will assist in the effective management of learning.

- The Agency continued to strengthen its alignment in all aspects of corporate planning using the experience and lessons learned from the previous year's Integrated Business and Human Resources Plan – Process and Requirements. The 2010-11 Integrated Business Plan was refined to provide even clearer direction and support to managers and directors. Also, in consultation with corporate and regional offices, senior management held a two-day integrated planning discussion to establish priorities for 2011-12. As part of this exercise, they established regional and program sub-activity priorities to address corporate operational and management requirements, unique regional business challenges, financial and human resource needs and allocations, corporate and regional risks, as well as the Agency's values and ethics. These discussions and priorities were the basis of the Agency's Integrated Business Plan, which was presented to the Agency's Executive Committee in December 2010 and subsequently endorsed by the President. The plan was used as the basis for annual operational planning in February and March 2011.

Priority	Type	Program Activity
Internal services	Ongoing	Internal Services
Status: Met all		

- In 2010-11, observations by the Treasury Board of Canada Secretariat (TBS) on ACOA's management capacity continued to be positive. In total, for the nine areas of management on which the Agency was assessed, it received three strong ratings and six acceptable ratings – meaning 100% of the Agency's Management Accountability Framework (MAF) results were "acceptable" or better.
- During this MAF assessment period, ACOA undertook a strategic review and continued to implement Budget 2009 Economic Action Plan initiatives, notably the Community Adjustment Fund and Recreation Infrastructure Canada program. The TBS commended ACOA for maintaining its core management performance level and increasing its rating on one of its management priorities in a period of increased workload.

Priority	Type	Program Activity
Values and ethics	New	Internal Services
Status: Met all		

- Values and ethics at ACOA have been promoted and embedded into the Agency's culture through its values and ethics strategy, communications plan and learning strategy. ACOA's commitment to values and ethics was further demonstrated through the reassignment of the role of Senior Official for Values and Ethics from the director general level to the vice-president level.
- ACOA takes a proactive approach to ensure it embodies values and ethics principles through the active development of an organizational code. This is strongly reinforced in its annual plans, demonstrated in leadership behaviour and exemplified by efforts related to continuous improvement.

Risk Analysis

ACOA's Response to the Changing Economic Landscape

ACOA operates within an evolving economic landscape. The Agency's broad-based approach to economic development addresses the underlying structural challenges in the economy. To proactively identify opportunities, the Agency needs to assess external economic factors that could potentially affect the delivery of its programs and services. The following section provides an economic overview of the Atlantic region. A complete economic outline for the region, "Atlantic Canada's Economic Overview and Provincial Economic Profiles," is available in the supplemental information provided on ACOA's website.

In 2010-11, the Atlantic Canadian economy recovered further from the financial crisis that seized the world over the last several years. The four Atlantic provinces dealt with the global recession relatively well compared to most other Canadian provinces, as the region's economy posted positive shifts in its gross domestic product (GDP). These results were due, in large part, to heightened domestic demand for goods and services as well as federal and provincial stimulus programs.

Overall, employment numbers rose in the region, which positively impacted income growth. Increased income stimulated the Atlantic Canadian economy in many areas, notably the retail sector, which recorded higher sales in comparison to the previous year. With a rebounding American economy, Atlantic Canadian manufacturers experienced an upward trend in their export shipments. Altogether, there was growth in exports, explained primarily by increased shipments of refined petroleum products.

As part of ACOA's response to the challenges and opportunities faced by the region in 2010-11, the Agency identified key risks it might encounter and developed mitigation measures to respond to them.

External Factors

In its *2010-11 Report on Plans and Priorities*, ACOA identified three main external factors with the potential to impact the Agency's policies and programs. Productivity, a skilled labour force and resource industries were highlighted as areas where Agency efforts might require heightened focus.

Productivity

Atlantic Canada's productivity must improve in order to maintain and increase the region's standard of living. Raising productivity levels requires higher rates of business investment in machinery and equipment, greater levels of research and innovation, more effort placed on developing a skilled workforce, and more spending on infrastructure.

These issues fall within the scope of ACOA's mandate. Raising the levels of research and development (R&D), increasing innovation capacity and commercialization activity are fundamental to improving Atlantic Canada's competitiveness and closing the productivity gap with the rest of the country. Through the Agency's Atlantic Innovation Fund, ACOA invested in large, cutting-edge R&D projects with the private sector, universities and research institutes. The Business Development Program, via its innovation element, provided targeted funding for R&D projects and for the adoption and/or adaptation of leading-edge technologies that enhance the productivity of Atlantic Canada's economy.

Skilled Labour Force

As signs of economic recovery became increasingly evident in Atlantic Canada during the past year, many communities throughout the region continued to be tested. The Government of Canada, through ACOA, worked directly with communities across the region, as well as with SMEs and numerous partners in all four Atlantic provinces, to build a strong and competitive Atlantic Canadian economy where the labour force demonstrated the appropriate skills required to support an evolving economy.

The Agency supported projects and initiatives that addressed gaps identified between evolving needs and the attributes of the current workforce. Through targeted efforts, such as those seen with Entrepreneurship and Business Skills Development, including its youth and women entrepreneurs programming, as well as the Agency's continued involvement with the four Atlantic Provinces and other federal departments in the Atlantic Population Table, ACOA addressed the issue of a skilled Atlantic Canadian labour force.

Resource Industries

Resource-based industries played an important role in the region's economy in 2010-11. Through its various programs and initiatives, ACOA assisted in the development of more innovative and competitive resource industries, contributing to a more robust and sustainable economy for the rural areas of the region where the economic base is most often tied to traditional sectors such as forestry, agriculture and fishing.

One clear example of ACOA's role in resource industries was seen through the Community Adjustment Fund (CAF) under Canada's Economic Action Plan. The Agency earmarked federal funds to resource industries such as the lobster fishery, where instability witnessed a few years ago seems to persist. Through the CAF-Lobster Initiative, the Agency provided stimulus programming to support diversification efforts within the lobster industry in a timely and focused manner. This contributed to the viability of the lobster industry and the (mostly rural) communities that depend on the fishery. With ACOA's experience in managing federal funding programs in the region, the delivery of CAF-Lobster funds and other funds related to CAF assisted resource industries and rural areas in offsetting the economic pitfalls brought on by the global economic crisis.

Internal Factors

The Agency's key risks were determined through an internal review with senior management and an analysis of related documentation and information. They were approved by ACOA's Executive Committee and were constantly monitored to ensure implementation of appropriate mitigation measures.

During the fiscal year, considerable progress was achieved on the implementation of mitigation measures. For example, the Agency focused on the risk associated with the potential of having insufficient financial and operational information to support decision making. In response to this risk, significant mitigation was achieved through the creation of dashboards, which contain key data required to support the Agency's operational and financial health. Timely data is provided to senior management on a consistent schedule.

Similarly, the Agency completed several mitigating measures in response to the people management risk. These included an Integrated Business and Human Resources Plan and the Program Delivery Curriculum. These two initiatives, along with other measures, were directed specifically toward areas where ACOA's management wanted to ensure that a robust response was undertaken.

These mitigating measures, along with those listed in the table below, have contributed to lowering the level of residual risk associated with the Agency's key risks.

Key Risk/Challenge	Mitigation Measure
Management Information Risk Risk that senior management does not have readily accessible, comprehensive, targeted data to understand the financial and program health of the organization and support decision making.	In fiscal year 2010-11, executive dashboards were used and presented monthly to ACOA's Executive Committee as a mechanism to provide management with a real-time window on performance indicators in a format designed to support timely and effective management decision making. The objective was to provide relevant data and analysis on the Agency's current performance, to identify trends and to assess these against performance targets. These dashboards have assisted management to steer the organization, to identify and address issues and opportunities early for continued improvement.
People Management Risk The risk that ACOA's talent agenda (leadership, recruitment, training, promotion, work-life balance, competencies) does not adequately sustain the necessary workforce required to carry out the Agency's mandate in the future, and that the Agency experiences a significant loss of corporate memory and has difficulty implementing change management.	The Agency established output targets, a People Management program, an Integrated Business and Human Resources Plan, values and ethics training, an enhanced continuous learning plan and a Program Delivery Curriculum, all of which ensured consistent and effective delivery of Agency services and programs.
Financial Accountability Risk The risk that ACOA will have difficulty fulfilling its responsibilities for compliance with Treasury Board's requirements relating to financial	During 2010-11, ACOA worked diligently with business leads in documenting all key business processes to support the evaluation of controls within each process. External expertise was hired to

Key Risk/Challenge	Mitigation Measure
management policies.	validate the progress made to date in implementing Treasury Board's policy on internal controls.

During fiscal year 2010-11, an internal audit of Corporate Risk Management was conducted. The audit concluded that the Agency is complying with Treasury Board of Canada Secretariat's guidance in its direction and approach to risk management. The audit recommended improvements, which management has agreed to and is implementing. These recommendations centred around increasing awareness, integrating risk management into operations, and reducing the reliance on the Chief Risk Officer to maintain risk management processes and dialogue. In response, the Agency has established a Risk Management Committee with representatives from each region and various divisions. This committee will be an important resource to facilitate the assessment of risk as well as the integration of risk management into operations.

Summary of Performance

2010-11 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
382.1	417.3	408.4

2010-11 Human Resources (Full-time Equivalents)

Planned	Actual	Difference
711	714	(3)

Strategic Outcome: A Competitive Atlantic Canadian Economy

Performance indicator	Target[2]	2010-11 Performance
Increase in Atlantic gross domestic product (GDP) for every dollar of ACOA expenditure in direct support of business	$4.50	On track. Performance is calculated for a five-year period, which will end in 2012-13. Result reported for the period 2003-04 through 2007-08 was $7.20.)

Program Activity	2009-10 Actual Spending ($ millions)	2010-11[3] ($ millions) Main Estimates	Planned Spending	Total Authorities	Actual Spending	Alignment to Government of Canada Outcome
Enterprise Development	192.2	174.3	174.3	196.8	191.0	Strong Economic Growth
Community Development	155.7	160.4	160.4	169.5	161.9	
Policy, Advocacy and Coordination	13.0	11.5	11.5	12.2	13.7	
Total	**360.9**	**346.2**	**346.2**	**378.5**	**366.6**	

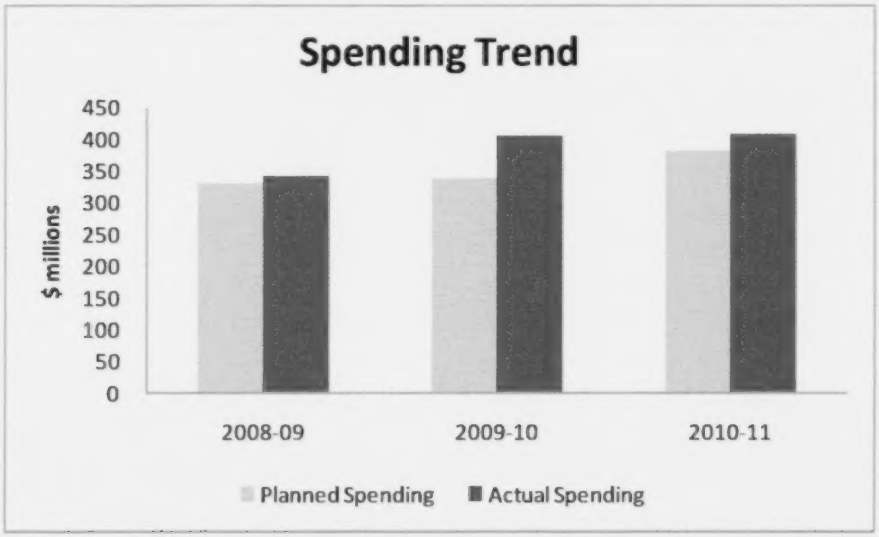
Program Activity	2009-10 Actual Spending ($ millions)	2010-11 ($ millions) Main Estimates	Planned Spending	Total Authorities	Actual Spending
Internal Services	42.9	35.9	35.9	38.8	41.8

[2] Cumulative five-year target (2008-09 to 2012-13).

[3] Beginning with the 2009-10 Estimates cycle, resources for the Internal Services program activity are displayed separately from the other program activities (i.e. they are not distributed among the other program activities as was done in previous Main Estimates). This has affected the comparability of spending and full-time equivalent (FTE) information by program activity across fiscal years.

Expenditure Profile

The following graph shows planned versus actual spending for fiscal years 2008-09 through 2010-11.



ACOA's actual spending for 2010-11 was $408.4 million. Compared with actual spending of $403.8 million in 2009-10, this represents an increase of 1%, or $4.6 million. Variances in actual spending profiles are due to a decrease of $1.6 million in operating expenditures, offset by an increase of $6.2 million in grants and contributions.
The increase in grants and contributions is explained as follows:

- an increase of $10.9 million under Canada's Economic Action Plan for the Community Adjustment Fund;
- an increase of $8.2 million under Canada's Economic Action Plan for the Recreational Infrastructure Canada program;
- an increase of $3.0 million under the Saint John Shipyard Adjustment Initiative;
- a decrease of $13.8 million under the Innovative Communities Fund;
- a decrease of $1.9 million under the Atlantic Innovation Fund; and
- other changes resulting from normal program fluctuation, representing a decrease of $0.2 million.

Analysis of 2010-11

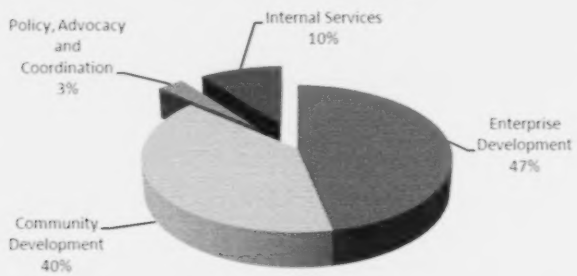
Planned spending of $382.1 million was augmented by $35.2 million provided through new authorities and transfers, including $19.0 million in ongoing funding for the Atlantic Innovation Fund and the Innovative Communities Fund, $5.1 million for the Community Adjustment Fund, $2.4 million under the Business Development Program, $1.7 million in ongoing funding for the Community Futures program, $4.0 million for operating budget carry forward, $1.2 million for severance pay, parental leave benefits and leave payout, and $1.8 million in various other minor adjustments.

Actual spending of $408.4 million resulted in a surplus of $8.9 million from total authorities of $417.3 million. The Agency will access a portion of this surplus through an operating budget carry forward of $4.2 million and will request a reprofiling of $3.4 million under the Recreational Infrastructure Canada program to meet planned requirements in 2011-12.

Analysis by Program Activity

Actual spending of $191.0 million for the Enterprise Development program activity resulted in a surplus of $5.8 million from total authorities of $196.8 million. This variance occurred because the Saint John Shipyard Adjustment Initiative was originally to be expended under the Enterprise Development program activity at $10 million. This shortfall in expenditures was offset by an increase in programming under the Business Development Program compared with the original planned authorities for the program.

2010-11 Actual Spending by Program Activity Expressed as a Percentage



Actual spending of $161.9 million for the Community Development program activity resulted in a surplus of $7.6 million from total authorities of $169.5 million. This variance was due to decreased programming under the Innovative Communities Fund totalling $11 million, as a result of the timing of the program's renewal and the emphasis placed on the delivery of initiatives under Canada's Economic Action Plan. This shortfall was offset by $3 million in expenses against the Saint John Shipyard Adjustment Initiative, originally planned to be expended in the amount of $10 million under the Enterprise Development program activity.

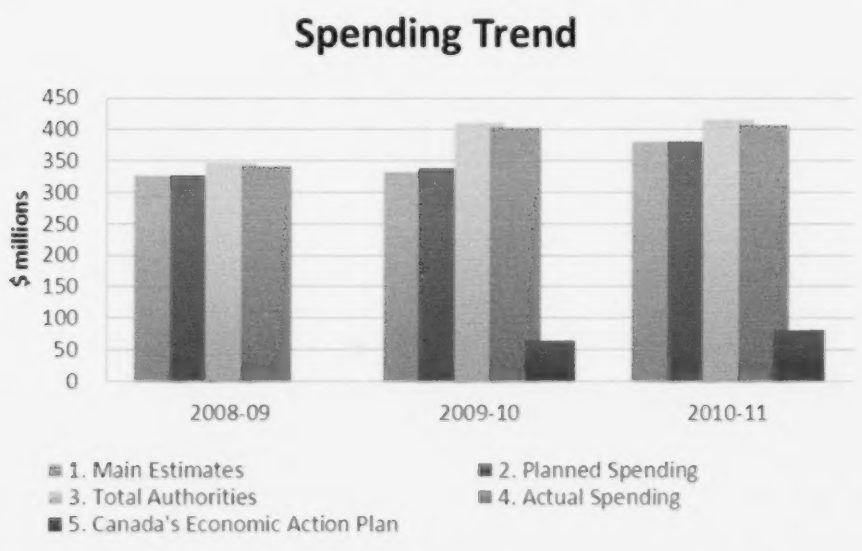
Actual spending of $13.7 million for the Policy, Advocacy and Coordination program activity exceeded planned authorities of $12.2 million by $1.5 million, mainly due to the additional resources required to respond to the Strategic Review identified in Budget 2010 and other unplanned expenses.

Although actual spending of $41.8 million for the Internal Services program activity exceeded total authorities of $38.8 million, it represents a decrease of $1.1 million compared with the previous year's expenditures for this program activity.

Canada's Economic Action Plan

Under the CEAP, ACOA was responsible for the delivery of RInC, CAF, and the ongoing Canada Business Network funding in Atlantic Canada. The Agency spent a total of $81.3 million in 2010-11 as detailed in the following table and spending graph.

	2010-11 ($ millions)		
CEAP Initiative	**Planned Spending**	**Total Authorities**	**Actual Spending**
Community Adjustment Fund	50.1	55.1	57.9[4]
Recreational Infrastructure Canada	24.3	24.3	20.8
Canada Business Network	2.6	2.6	2.6
Total	**77.0**	**82.0**	**81.3**



[4] CAF actual spending includes $2.4 million from ACOA's regular authorities.

Estimates by Vote

For information on ACOA's organizational votes and/or statutory expenditures, please see the *Public Accounts of Canada* for 2011 (Volume II) publication. An electronic version of the Public Accounts is available on the Public Works and Government Services Canada website.[5]

[5] See *Public Accounts of Canada* for 2011.

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome – A Competitive Atlantic Canadian Economy

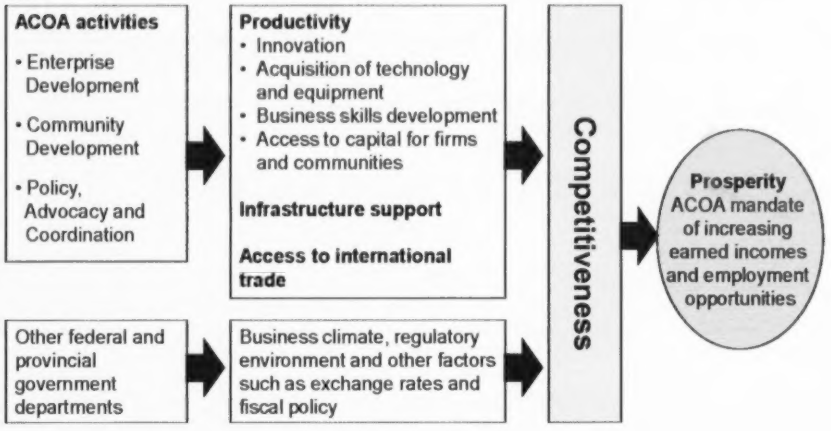
ACOA aims to achieve a competitive Atlantic Canadian economy for the long-term benefit of all Atlantic Canadians. A competitive economy will generate a higher level of income for its citizens and increase opportunities for economic development in the region. This can be achieved through the growth of earned incomes and employment opportunities for Atlantic Canadians.

Competitiveness is determined by a set of institutions, policies and factors that affect the capacity of firms to sell their products globally. According to the Organisation for Economic Co-operation and Development, productivity is an important determinant of competitiveness and economic growth.[6] Productivity, defined as the efficiency with which resources are used in the economy, is a key measure of how well small and medium-sized enterprises (SMEs) in Atlantic Canada are performing when compared with those in other regions of the country and elsewhere around the world.

Consequently, ACOA focused its efforts on improving competitiveness in three key areas: productivity, infrastructure support, and access to international trade. To increase the performance of Atlantic Canadian SMEs, the Agency targeted key productivity drivers, including innovation, the acquisition of technology and equipment, business skills development, and access to capital for firms and communities. ACOA also emphasized trade and investment activities to increase export capabilities and encourage international trade, and it played a strategic role in supporting community infrastructure required for economic development. By devoting attention to these three key areas, the Agency, along with its many partners, is able to link its regional economic development priorities to its goal of a competitive Atlantic Canadian economy.

[6] Enrico Giovannini, *Understanding Economic Statistics - An OECD Perspective* (Paris, France: Organisation for Economic Co-operation and Development, 2008).

Productivity, Competitiveness and the ACOA Mandate


ACOA activities
• Enterprise Development
• Community Development
• Policy, Advocacy and Coordination
Productivity
• Innovation
• Acquisition of technology and equipment
• Business skills development
• Access to capital for firms and communities
Infrastructure support
Access to international trade
Other federal and provincial government departments
Business climate, regulatory environment and other factors such as exchange rates and fiscal policy
Competitiveness
Prosperity
ACOA mandate of increasing earned incomes and employment opportunities

Three program activities (Enterprise Development, Community Development, and Policy, Advocacy and Coordination) help Atlantic Canadians and the region to prosper and compete on a national and global scale. In 2010-11 the Agency continued to:

- foster improved productivity of Atlantic Canadian companies by focusing on measures such as research and development, acquiring advanced technologies, and investing in business skills development;
- increase its focus on the commercialization of innovative technologies, identifying and pursuing opportunities through programs such as the Atlantic Innovation Fund (AIF) as well as encouraging capacity development in new and emerging sectors;
- build on past successes in supporting trade activities by aligning its efforts with the Government of Canada's Global Commerce Strategy and the related Americas Strategy, and by engaging in activities that capitalized to a greater extent on emerging markets;
- coordinate efforts to ensure that the region is well poised to benefit from the Atlantic Gateway, which offers significant opportunities for long-term economic expansion in Atlantic Canada;
- respond to changing economic circumstances by pursuing and participating in strategies that support opportunities in the region's rural and urban areas (such as the Government of Canada's Economic Action Plan), and by investing in initiatives that provide best value for investment while addressing community priorities; and
- advocate the interests of the region in order to ensure that new government initiatives are responsive to the needs of Atlantic Canadians.

A measure of the impact of ACOA's expenditures in direct support of businesses in Atlantic Canada is the increase in the gross domestic product (GDP) resulting from these investments. The results are obtained through investment expenditures from commercial projects, as well as the direct creation of jobs through these projects. In the Agency's most recent *Five-Year Report to Parliament (2003-08)*, it is estimated that real GDP was $1.2 billion higher (in constant 1997 dollars) in 2007 than it would have been in the absence of ACOA's expenditures in direct support of businesses. (Real GDP is the inflation-adjusted value added to products and services produced in a given year in an economy.) Furthermore, over the five-year period covered by that report, direct ACOA support to businesses for commercial projects produced an increase of over $7 in GDP gains for every dollar of ACOA expenditure.

Program Activity: Enterprise Development

STRATEGIC OUTCOME	PROGRAM ACTIVITY	PROGRAM SUB-ACTIVITY
A competitive Atlantic Canadian economy	Enterprise Development	• Innovation • Entrepreneurship and Business Skills Development • Trade • Investment • Financing Continuum

Program Activity Description

Notwithstanding recent overall economic progress, some significant challenges remain and great opportunities exist for development. One of the most telling indicators of this is that, in a number of sectors, productivity remains significantly lower than in leading countries and other regions of Canada. ACOA will work in partnership with Atlantic Canadian enterprises, stakeholders, industry and institutions to improve the growth and productivity of Atlantic Canada's economy, leading to increased competitiveness, earned incomes and job creation.

ACOA works to improve the region's capacity for economic growth through a variety of strategically focused mechanisms, which include: assisting enterprises, particularly small and medium-sized ones, to help them start, expand or modernize their businesses and establish and expand export activities; partnering with universities and other institutions to increase the region's research and development capacity, commercialization and productivity; and promoting and participating in the region's transition to a knowledge economy.

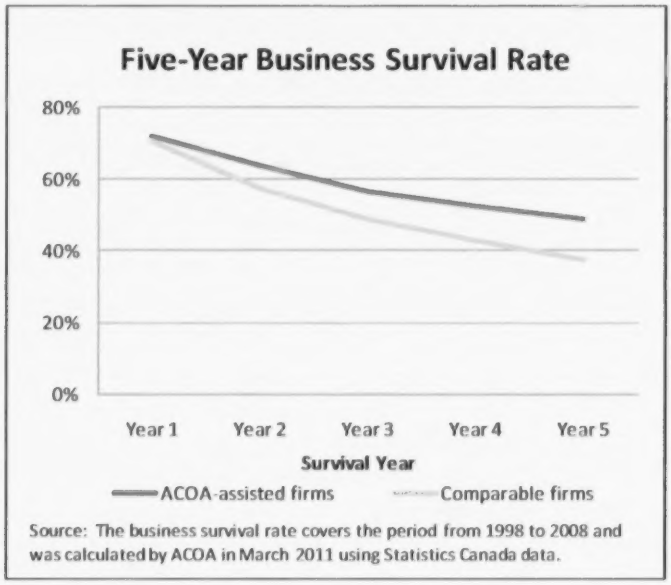
Financial Resources ($ millions)			Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
174.3	196.8	191.0	214	215	(1)

Expected result	Performance indicator	Target	Performance status
Improved growth and competitiveness of Atlantic Canadian SMEs	Survival rate ratio of ACOA-assisted firms	1.5 times higher than comparable firms[7]	Mostly met. 1.3 times higher than comparable firms

[7] Comparable firms are similar to ACOA-assisted firms (age, size, sector and geographic region) but have not received a direct monetary contribution from the Agency. The analysis is used to determine the five-year survival rate of start-ups over a ten-year period (i.e. 1998 through 2008). Survival rates are calculated annually by tracking firm births (businesses newly identified in the Longitudinal Employment Analysis Program of Statistics Canada) and deaths (businesses no longer identified). As a result of feedback received on the *2011-12 Report on Plans and Priorities*, in future planning cycles the Agency will clarify its target relative to the survival rate of comparable firms.

Performance Summary and Analysis of Program Activity

Through five main program sub-activities, ACOA provides assistance to Atlantic Canadian enterprises to improve their growth and competitiveness in the global economy. ACOA assesses SMEs' competitive performance through business survival rates. A company's survival depends on many factors, such as the age of the business, location and size. The five-year survival rate[8] for ACOA-assisted firms is notably higher than the rate for comparable firms. In fact, the business survival rate for ACOA-assisted firms is 49% after the crucial fifth year following start-up, compared with 38% for comparable firms. The Agency mostly met its target, but ACOA clients have outperformed comparable firms in Atlantic Canada over this period.



Source: The business survival rate covers the period from 1998 to 2008 and was calculated by ACOA in March 2011 using Statistics Canada data.

To improve productivity and commercialization, ACOA provided solid investments to Atlantic Canadian SMEs in 2010-11. It approved the funding of 27 new projects under the AIF, committing over $69.5 million and leveraging an additional $47 million from other sources such as universities and other research institutions, provincial governments, the private sector and national R&D programs. In addition to its contributions under the AIF, the Agency funded R&D, technology adoption/adaptation, business support activities, and productivity improvement projects under the Business Development Program (BDP). During 2010-11, a further $42.4 million was approved under the BDP for projects related to innovation.

Furthermore, ACOA maintained its support of Springboard Atlantic Inc., which combines the research and commercialization strengths of its 19 university and college members to create a pan-Atlantic network. Springboard Atlantic supports the commercialization of Atlantic Canadian research through the transfer of knowledge and

[8] Business Special Surveys and Technology Statistics Division, Statistics Canada (March 2011).

technology to the private sector. This network was instrumental in facilitating public-private partnerships throughout Atlantic Canada as well as nationally and internationally.

Also in 2010, under the AIF's commercialization initiative, the Agency developed and approved four projects, each with the goal of undertaking strategic activities aimed at mentoring and educating key industry stakeholders. These projects will promote partnerships and build strategic alliances aimed at commercialization and growing sectors of strength in Atlantic Canada.

In collaboration with international health technology companies, researchers at Memorial University of Newfoundland will build on previous genetics research and development to create an affordable test panel for use by cardiologists. This test panel will help to identify patients at risk of sudden cardiac death and help those expecting to receive an implantable cardioverter defibrillator in a timely manner. The Canadian Institutes of Health Research selected this group of researchers' work on sudden cardiac death as one of its Top 25 successes of the past decade. Commercialization of the test panel will result in annual sales in the tens of millions of dollars and will save the lives of young people who are otherwise unaware of their condition.

Strengthening management capacity is crucial for improving innovation and business productivity. A recent international study of more than 4,000 medium-sized enterprises found that one of the most effective ways for a firm to outperform its peers is by improving its management practices.[9] The study mentions that governments can drive the competitiveness of their respective economies by developing environments that promote good management practices across all firms.

A 2010 Entrepreneurship and Business Skills Development (EBSD) evaluation[10] also highlighted the need to improve business skills among entrepreneurs, and so projects designed to enhance entrepreneurs' business-management skills remained a priority for ACOA in 2010-11. Actually, 12,137 of 13,965 participants (87%) in business skills development activities indicated that the skills acquired were relevant to enhancing the start-up, survival or growth of their businesses. Examples of EBSD projects include ProfitLearn, which offered business courses to existing and aspiring entrepreneurs in Prince Edward Island and New Brunswick. The EBSD program sub-activity also delivered more growth-focused training opportunities such as Saint Mary's University Business Development Centre's Repositioning Dynamic Companies program, designed to provide advanced business skills and innovative management counselling to growth-orientated SMEs.

Similarly, with financial support from the EBSD program sub-activity, the Newfoundland and Labrador Association of Community Business Development Corporations helped to

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[9] Bloom et al., *Management Practice and Productivity: Why they matter* (London, United Kingdom: McKinsey & Co. and the Centre for Economic Performance, 2007).

[10] Atlantic Canada Opportunities Agency, *Evaluation of the Atlantic Canada Opportunities Agency's Entrepreneurship and Business Skills Development Program Sub-activity - Final Report* (Moncton, New Brunswick: ACOA, September 8, 2010).

develop and implement the 2011 Angel Business Development Program. This initiative is an integrated business plan competition and business symposium targeted toward post-secondary students. This initiative provided one-on-one strategic counselling and mentoring sessions to aspiring and existing entrepreneurs. Participants also took part in networking opportunities with successful entrepreneurs and industry professionals to develop partnerships and to develop their entrepreneurial ideas.

In the area of trade, ACOA maintained its efforts to align its work with Canada's Global Commerce Strategy. The Agency helped SMEs to take full advantage of globalization and to develop business opportunities through market diversification. As indicated in market research undertaken by ACOA last year, there is significant potential in the Brazilian market for Atlantic Canadian SMEs. ACOA also supported a strategic review of promising sectors in Atlantic Canada.

Another focus for the Agency in 2010-11 was the implementation of an integrative trade strategy whose four pillars are export promotion, investment solicitation, technology commercialization and communications. A well-integrated trade initiative builds on all four pillars to highlight Atlantic Canada's exceptional economic attributes. When successful, the strategy ensures optimal use of resources and increases the chance of favourable outcomes for clients.

ACOA also continued its efforts in support of national priorities such as the Americas Strategy, the National Gateways and Trade Corridors Strategy, and the India Initiative. In relation to the Americas Strategy, ACOA supported a number of initiatives, including missions to Panama, Chile and Brazil. ACOA also achieved an important milestone with the announcement of the Atlantic Gateway Strategy and International Marketing Funds. Finally, the Agency organized a third exploratory mission to India to assess opportunities and key markets of relevance to Atlantic Canadian businesses.

To foster export growth and job creation in Atlantic Canada, ACOA participated in various trade-related horizontal initiatives. The Agency is the lead partner and secretariat for the International Business Development Agreement. This initiative is an agreement with the four Atlantic Provinces, the federal Department of Foreign Affairs and International Trade, and Industry Canada whose objective is to "undertake specific measures to optimize regional coordination on a pan-Atlantic scale and combine limited resources to coordinate trade-related activities."[11] Given the successful delivery and positive results of this initiative, the partners are currently negotiating to renew the agreement for another five years.

Accessibility to financial support remains a challenge for Atlantic Canadian SMEs. The Agency addresses this through its Financing Continuum program sub-activity. During 2010-11, a total of 111 projects were approved under the Financing Continuum to help SMEs expand or modernize their operations in order to remain or become more competitive. The $26 million in ACOA assistance is being leveraged to secure a further $60 million in financing from other sources. The Agency also approved 27 projects

[11] Canada-Atlantic Provinces Agreement on International Business Development (April 1, 2005).

totalling $7.8 million in ACOA assistance to support the establishment of new SMEs. This represents a total of $33.6 million in total project costs in the region. Furthermore, 18 SMEs were approved to receive ACOA assistance amounting to $2.88 million in order to invest in marketing activities valued at $6.43 million to expand markets or commercialize new products and services. As a result, the Agency worked on developing service standards for grants and contributions programs in 2010-11, and the resulting Service Standards Action Plan for 2011-12 is being implemented.

Lessons Learned

During 2009-10 and 2010-11, all five program sub-activities under Enterprise Development were evaluated. Evaluation findings presented below highlight opportunities to improve some of the Agency's main programming as well as corrective actions that have been implemented in response to recommendations made.

The 2010 evaluation of the Innovation program sub-activity[12] concluded that the Agency's innovation programming is relevant, effective and provides good value for money. It recommended that ACOA expand its innovation strategy to reflect the evolution of its programming, particularly with respect to the increased focus on commercialization activities. In 2010-11, the Agency continued to work on the renewal of its innovation strategy and commercialization strategy, which will be presented to the Agency's Executive Committee for approval in the fall of 2011.

The 2010 evaluation of the EBSD program sub-activity[13] concluded that the programming was relevant and that its intended outcomes were cost-effective. The evaluation found that, through EBSD, ACOA has enhanced the capacity of institutions and other stakeholders to support business skills development. It also highlighted the importance of continued work with stakeholder organizations to leverage their expertise and networks. The report concluded that ACOA should renew its entrepreneurship development strategy and consider multi-year funding agreements in cases where it may be more efficient than annual funding. During 2010-11, the Agency worked on the renewal of its EBSD strategy, which will be available in 2011-12.

Similarly, a 2010 evaluation of the Trade and Investment program sub-activities[14] concluded that there was a high level of need for the programming and found that clients were satisfied and programming was effective. The evaluation recommended strengthened coordination, simplified processes and improved performance measurement. As a result, the Agency is unifying the Trade and Investment program sub-activities into one: International Business Development. The Agency will also focus on enhanced

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[12] Atlantic Canada Opportunities Agency, *Impact Evaluation of the Atlantic Canada Opportunities Agency Innovation Program Sub-activity - Final Report* (Moncton, New Brunswick: ACOA, January 19, 2010).
[13] Atlantic Canada Opportunities Agency, *Evaluation of the Atlantic Canada Opportunities Agency's Entrepreneurship and Business Skills Development Program Sub-activity - Final Report* (Moncton, New Brunswick: ACOA, September 8, 2010).
[14] Atlantic Canada Opportunities Agency, *Evaluation of the Atlantic Canada Opportunities Agency Trade and Investment Program Sub-activity - Final Report* (Moncton, New Brunswick: ACOA, September 8, 2010).

performance measurement and more consistent reporting across programs, provinces and years.

The Agency also undertook a strategic evaluation of its Financing Continuum[15] program sub-activity. The evaluation was designed to assess relevance and performance, including effectiveness, efficiency and economy. Overall, the evaluation clearly indicated that the Financing Continuum program sub-activity is meeting its intended outcomes by providing necessary growth capital to Atlantic Canada's SMEs. It also showed that the program sub-activity is aligned with ACOA's mandate and priorities and with the Government of Canada's priority of strong economic growth. Opportunities for improvement relate to the application process, the introduction of service standards and the implementation of a more formal and consistent performance reporting system. As a result, the Agency worked to develop service standards for Government of Canada programs in 2010-11.

[15] Atlantic Canada Opportunities Agency, *Evaluation of the Atlantic Canada Opportunities Agency Financing Continuum Program Sub-activity - Final Report* (Moncton, New Brunswick: ACOA, September 8, 2010).

Program Activity: Community Development

STRATEGIC OUTCOME	PROGRAM ACTIVITY	PROGRAM SUB-ACTIVITY
A competitive Atlantic Canadian economy	Community Development	• Community Mobilization • Community-based Business Development • Community Investment • Infrastructure Programming

Program Activity Description

The Atlantic economy is built on the region's many geographic, linguistic and cultural communities. From small remote villages to larger urban centres, the opportunities and challenges vary significantly. Communities are the foundation of economic development and are critical for economic prosperity. ACOA recognizes the importance of these communities in an economic development framework and supports their efforts to develop the resources they need to assume full responsibility for their own economic development. For those reasons, ACOA focuses targeted efforts and strategies toward community development and also aims to provide and maintain quality public infrastructure. ACOA works in co-operation with other levels of government, other federal government departments, non-government organizations and community groups to leverage support, coordinate economic development, react to economic challenges and, finally, work with Infrastructure Canada and the Provinces to oversee/ensure the flow of federal funds allocated to each region through the various infrastructure funding streams. This requires a flexible, holistic approach based on the realities of a given community's capacities, strengths and challenges. Community development is a bottom-up process that helps to develop the tools, resources and initiatives that support individual and unique strategic development.

Financial Resources ($ millions)			Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
160.4	169.5	161.9	93	111	(18)

Expected result	Performance indicator	Target	Performance status
Dynamic and sustainable communities for Atlantic Canada	Increased capacity in community decision making, planning and delivery	Evidence of impact (resulting from evaluations, and supported by data)	Met all. Supported by evaluation findings that the program was well aligned with government priorities. Management action plans were completed and implemented.
	Number of new business start-ups that have received funding from Community Business Development Corporations (CBDCs)	766	Exceeded. 897
	Number of businesses that have received funding from CBDCs to stabilize or expand operations	876	Mostly met. 864

Performance Summary and Analysis of Program Activity

Continuing with the Government of Canada priorities articulated in Canada's Economic Action Plan (CEAP) in Budget 2009, ACOA played a critical role over the last two years in delivering on CEAP results to help Atlantic Canada along the road to economic recovery.

The Agency participated in the design of two CEAP initiatives: the Community Adjustment Fund (CAF) and the Recreational Infrastructure Canada (RInC) program. During this reporting period, ACOA successfully implemented both programs in Atlantic Canada and delivered timely results.

The Agency fully committed its allocation of $135.3 million for RInC and CAF. A total of 413 projects were approved: 183 for CAF and 230 for RInC. These initiatives addressed the needs of businesses, key industry sectors and communities, and assisted in job creation and in laying the foundation for long-term prosperity. Furthermore, community capacities were increased, new recreational infrastructures were built and partnerships were formed and sustained. Further information on the results achieved under these two initiatives can be found at the end of section II.

ACOA's principal tool for investing in communities – the Innovative Communities Fund (ICF) – capitalizes on the opportunities and strengths that exist in communities in order to develop competitive industry sectors, strengthen community infrastructure and enhance the capacity of communities to overcome economic development challenges. In 2010-11, 159 projects were approved under the ICF (excluding the ICF-CAF component), having a total project cost of $119.4 million, with an ACOA contribution of $45.5 million and additional dollars leveraged amounting to $73.9 million. The following project is an example of an ICF investment:

> ***Winery Association of Nova Scotia, Nova Scotia***
> ACOA invested $220,000 to enable the client to continue to increase its market share through a redeveloped branding plan that will increase awareness and accessibility of its product throughout Nova Scotia. It will also create growth opportunities for wine producers to expand via international exports and enhance the competitiveness of the industry. Wineries foster economic development, employment and investment and have a large impact on tourism growth. A study[16] indicates that the Nova Scotia wine industry has the potential to attract 168,000 visitors and to be the catalyst in developing a quality hospitality and agri-tourism industry for the region by developing transformative consumer-driven tourism products and experiences.

ACOA maintained its support for the Community Futures (CF) program, providing funds in support of Community Business Development Corporations (CBDCs), which act as an essential source of capital to assist Atlantic Canada's rural businesses. A new funding

[16] Martha Reynolds Marketing, *The Dawn of Canada's Newest Wine Region: Nova Scotia* (January 2007), pp. 24-25.

model called the Community Futures of Tomorrow was established and implemented during 2010-11 to maximize the efficiency and effectiveness of resources within the CBDC network. This extensive collaborative effort resulted, in part, from the recommendations identified in the 2009 Community Futures evaluation[17] and audit[18] reports.

ACOA continued to work with the Regional Economic Development Organizations (REDOs) to ensure that resources were maximized and results achieved. ACOA invested $9.2 million in operational funding of the REDOs in Atlantic Canada, which leveraged an additional $8.3 million from provincial and municipal governments. This investment resulted in rural communities developing 48 strategic plans to assess their capacity to implement initiatives for economic growth.

ACOA also collaborated with several Aboriginal, Acadian and francophone communities across the region to ensure they remain active participants in the Atlantic economy and to develop their capacity at the local level, which will enable them to lead the community development process. The Agency provided financial support to the Atlantic Policy Congress of First Nations Chiefs Secretariat, which, in turn, developed various initiatives targeting the economic development officers in First Nations throughout Atlantic Canada. Through the Atlantic Aboriginal Economic Developers Network, those economic development officers collaborated on the implementation of the Atlantic Aboriginal Economic Building Strategy, which focuses on four goals: property and resource development, strengthening Atlantic Aboriginal businesses, developing a skilled Aboriginal workforce, and developing baseline information.

With regard to the region's francophone official language minority community, ACOA made a contribution of $1.6 million to a total of 12 projects under the Economic Development Initiative, a component of the *Roadmap for Canada's Linguistic Duality, Acting for the Future 2008-13*. The following project is an example:

> ***La Coopérative La Récolte de Chez Nous Ltd., New Brunswick***
> The project assisted 10 to 30 francophone SMEs in promoting their agro-tourism destination in southeastern New Brunswick. The project provided these SMEs with marketing tools to diversify their markets, assisted them in creating partnerships with tourism providers, and created more innovative ways of experiencing the southeast region's tourism products.

[17] Atlantic Canada Opportunities Agency, *Evaluation of the Community Futures Program in Atlantic Canada - Final Report* (Moncton, New Brunswick: ACOA, June 9, 2009).
[18] Atlantic Canada Opportunities Agency, *Audit of the Community Futures Program - Final Report* (Moncton, New Brunswick: Internal Audit Directorate, December 2009).

Lessons Learned

The recent global recession particularly affected industries in Atlantic Canada's rural areas. With the help of ACOA's programs and collaboration from community development organizations, SMEs overcame the economic crisis, thus mitigating employment losses in the region. By efficiently implementing CEAP funding initiatives, ACOA provided improved capacity for Atlantic Canadian businesses to recover from the downturn.

This type of assistance not only helps SMEs to grow and prosper in rural communities, but directly contributes to the capacity and readiness of communities to develop and carry out further community economic development initiatives. In Atlantic Canadian rural communities, traditional sources of funding continue to be limited, and these outcomes would not be achievable in the absence of ACOA programming.

The Agency also addressed recommendations from the 2009 Community Futures audit report, which recommended that a clear process be established to ensure that investment funds are maximized within the CBDC network, especially as relates to operational funding. As a result of extensive collaboration between ACOA and the CBDCs, a new Community Futures of Tomorrow model is being implemented that incorporates a comprehensive approach for the use of resources. It includes a fundamental shift toward an integrated fund with five loan products. These include youth, first-time entrepreneurs, innovation, general business and social enterprise. The new approach includes a calculation whereby operational funding will be based on the levels of loan activity and the financial needs of each CBDC. The model also ensures that investment funds not readily needed in a local community be lent to a centralized pool and made available to CBDCs that need it to meet local demand for capital.

Program Activity: Policy, Advocacy and Coordination

STRATEGIC OUTCOME	PROGRAM ACTIVITY	PROGRAM SUB-ACTIVITY
A competitive Atlantic Canadian economy	Policy, Advocacy and Coordination	• Policy • Advocacy • Coordination

Program Activity Description

ACOA's Policy, Advocacy and Coordination (PAC) program activity is central to identifying and effectively responding to opportunities and challenges facing the regional economy. PAC provides intelligence, analysis and well-grounded advice on a broad range of issues and topics, and it informs and supports decision making by the Agency and the Minister. In offering strategic, researched policy positions that reflect the region's potential, by influencing national policies and programs that affect Atlantic Canada's development and interests, and in coordinating other policies and programs within the region to form integrated approaches to development, PAC helps carry the Agency's agenda forward and ensure that ACOA overall remains relevant and responsive to the opportunities and challenges in Atlantic Canada.

Financial Resources ($ millions)			Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
11.5	12.2	13.7	91	92	(1)

Expected result	Performance indicator	Target	Performance status
Policies and programs that strengthen the Atlantic economy	Atlantic regional economic policies and programs that respond to regional development opportunities	Continued government support to Agency priorities, collaboration with other federal departments, and engagement with other partners in Atlantic Canada in areas that will contribute to increasing the competitiveness of Atlantic Canada's economy	Met all. Successful collaboration and engagement with other government departments as well as the four provincial governments of the region and other partners on key issues pertaining to ACOA's priorities

Performance Summary and Analysis of Program Activity

In 2010-11, the Agency's PAC program activity assisted the region in facing the challenges affecting Atlantic Canada's overall economic vitality. Demographic trends and an uncertain economic environment were key factors in determining priority areas as ACOA worked with its partners to move forward on initiatives related to promoting the region as a business destination, to the attraction of new businesses, and to the undertaking of new research.

During 2010-11, PAC collaborated with Enterprise Development and Community Development to ensure that programs and activities are responsive and relevant to national priorities while emphasizing the Agency's critical role in delivering the federal agenda in Atlantic Canada. PAC maintained its efforts to support the productivity and competitiveness priorities of the Agency, with direct involvement in the commercialization and innovation strategies as well as in the business skills development evaluation and the renewal of the EBSD strategy. The Agency also underwent a strategic review for which PAC provided strong policy content.

The Agency pursued its engagement with a number of stakeholders and organizations, including the Organisation for Economic Co-operation and Development (OECD) on a project analyzing the production of renewable energy as a regional development policy tool in rural areas. The Agency participated in territorial reviews of Slovenia and the NORA region (a transnational area comprising the Faroe Islands, Greenland, Iceland and coastal Norway). Collaboration with the OECD served as a platform for sharing the Canadian approach to regional development on an international stage.

Agency officials worked closely with federal departments on a number of issues, including ones related to skills and demographics and to other federal regional development agencies (RDAs). The Agency brought support to the new RDAs for Canada's North and for southern Ontario. ACOA collaborated with Transport Canada on the Atlantic Gateway and Trade Corridor, with Citizenship and Immigration Canada on the Atlantic Population Table, and with Natural Resources Canada on issues related to the Atlantic Energy Gateway.

PAC also undertook engagement activities with the private sector and academia through entities such as the Atlantic Canada Opportunities Board and the Atlantic Metropolis Centre. Additionally, ACOA's Policy staff offered support and analysis as the Agency worked collaboratively with provincial and federal partners on the Atlantic Population Table, for which the Agency serves as the federal co-chair.

The Agency's Advocacy activities aimed to advance Atlantic Canada's interests in national policies and program development so that government initiatives are responsive to the needs of the region. A core consideration for ACOA's advocacy activities in 2010-11 was to seek out ways in which federal initiatives could better support economic development in Atlantic Canada. Advocacy activities included working with Public Works and Government Services Canada to set up the pilot Canadian Innovation and Commercialization Program. ACOA's advocacy staff also worked with the federal Expert Review Panel on Research and Development and its secretariat to articulate the role federal programs play in supporting innovation in Atlantic Canada. The Agency worked collaboratively with other federal departments in the coordination of the Atlantic Energy Gateway initiative and the advancement of Atlantic Canada's renewable energy potential through the Atlantic Canada Energy Office.

In aerospace and defence, ACOA played a key advocacy role in positioning Atlantic Canada's industry to pursue significant business opportunities in federal procurement,

ensuring that the capabilities and the capacities of Atlantic Canadian companies are advanced to prime contractors and other federal departments. In terms of industrial and regional benefits, no significant national procurement contracts were awarded during the past year, but the Agency's advocacy activities continue to focus on upcoming projects such as the Family of Land Combat Vehicles.

Through the Atlantic Gateway Secretariat, ACOA played an important role in advocating and coordinating activities to advance the gateway's potential for the region, including the release in March 2011 of the Atlantic Gateway Strategy. The strategy identifies measures aimed at enhancing Atlantic Canada's trade and transportation system and at capitalizing on opportunities in global markets. The Agency also played a coordination role with the provincial governments on a number of other issues, ranging from ocean technologies to maple syrup. In the four provinces, the regional federal councils coordinated dialogues on an array of topics relevant to the region, including the delivery of quality services by the Government of Canada and the revamping of internal administrative functions.

Lessons Learned

In 2010-11, the PAC program activity assisted the region in facing challenges affecting Atlantic Canada's overall economic vitality. PAC supported the Agency's broad-based approach to economic development by addressing key policy issues impacting the growth of the region, by advocating for the interests of Atlantic Canada to ensure that government initiatives are responsive to the needs of the region, and by coordinating federal policies and programs within the region to form integrated approaches to development.

During the past year, a number of PAC efforts have actively contributed to the Agency's evolving appreciation and understanding of Atlantic Canada's competitive economy and of its various stakeholders. By strengthening its engagement practices and collaborative initiatives, the Agency's PAC activities ensured that ACOA initiatives addressed government priorities in achieving results for Canadians.

One example of a key initiative undertaken by the Agency is the funding of a research project investigating the structural developments in Canada's regional economies. Through this project, RDAs will be provided with research to facilitate a better understanding of how and why regional economies are changing and to explore the policy implications of those changes. A collaborative initiative of this nature increases understanding of not only Atlantic Canada itself, but also the manner in which the region evolves compared with other parts of the country.

Other PAC initiatives, including a research project on the region's position within a global value chain, benefited the Agency and its partners in better assessing the needs and the policy-related items of interest for the region. These included an Asia-Pacific Foundation of Canada round-table event with regional entrepreneurs exporting to Asian markets and an Association of Atlantic Universities study on the Economic and Social Impacts of Universities in Atlantic Canada.

ACOA also supported a key study that looked at the impacts of a declining workforce in Atlantic Canada. This study clearly demonstrated the importance of placing demographic and productivity issues at the forefront of regional economic development policies. As Atlantic Canada is headed toward a situation where there will not be enough skilled workers for the jobs available, the Agency, along with other stakeholders in the region, will benefit from studies of this nature. It will also benefit from other PAC efforts to better assess the needs of businesses and other organizations as Atlantic Canada evolves in the current global economy.

Finally, the Atlantic Policy Research Initiative evaluation completed in 2009-10[19] suggested a better coordination of research activities throughout the Agency. In response to this, an Agency-wide Policy Research working group was initiated in 2010-11 to develop a comprehensive policy research agenda. This working group engaged its members on how to collectively develop research priorities, catalogue various research tools and resources, develop a process to discuss research proposals, and share results between ACOA offices. The overall aim of the group is to ensure collaboration and partnership, where appropriate, and to increase the effectiveness of policy research investments.

[19] Atlantic Canada Opportunities Agency, *Evaluation of the Atlantic Canada Opportunities Agency's Atlantic Policy Research Initiative – Final Report* (Moncton, New Brunswick, ACOA, March 17, 2010).

Program Activity: Internal Services

Program Activity Description

Internal Services are groups of related activities and resources administered to support the needs of programs and other corporate obligations of an organization. These groups are Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Financial Resources ($ millions)			Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
35.9	38.8	41.8	313	296	17

Although actual spending of $41.8 million for the Internal Services program activity exceeded total authorities of $38.8 million, it represents a decrease of $1.1 million in comparison to the previous year's expenditures for this program activity.

Canada's Economic Action Plan Initiatives

Program Activity: Enterprise Development

Canada Business Network

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
2.6	2.6	2.6

Expected result	Performance indicator	Target[20]	Performance status
Access for Atlantic Canadians to accurate, timely and relevant business information	Level of client satisfaction	80%	Data not available for 2010-11[21]

Budget 2009 provided $30 million over two years for the renewal of the national Canada Business Network. Of this amount, ACOA receives $2.6 million annually to deliver this service in the Atlantic provinces. Canada Business continued to implement its revised service strategy, with enhanced efforts in outreach and promotion to ensure that more Canadians are aware of and use the service. A fact-based survey was conducted in 2010-11 and revealed that 98% of in-person survey respondents had received some or all of the information they needed.[22]

Community Adjustment Fund

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
5.0	5.0	8.7

The Community Adjustment Fund (CAF) is delivered via the Innovative Communities Fund as well as the Business Development Program. While most projects funded under CAF are aligned with ACOA's Community Development program activity, some are of a commercial nature and are aligned with the Enterprise Development program activity. For 2010-11, 14 projects received funding from CAF under Enterprise Development's BDP for a total of $8.7 million. The $3.7 million variance occurred because $5 million in funding for a large project in Nova Scotia was disbursed in 2010-11 rather than 2009-10.

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[20] Two-year target (2009-10 through 2010-11).

[21] Canada Business was unable to obtain approval to conduct a public-opinion survey to measure the level of client satisfaction; thus, data for this performance indicator is not available. A fact-based survey was conducted in 2010-11, but consists of measures different from a public-opinion survey (see footnote 22).

[22] Industry Canada, *Canada Business Network 2010 Client Survey*, Phoenix Strategic Perspectives Inc. (March 2011). The survey was administered using two different formats: interviewer-administered (by telephone) and self-administered (on paper). In total, 996 surveys were completed: 400 by telephone with Canada Business Network call centre clients and 596 on paper with clients who obtained service at one of the business service centres. The results for these survey formats can be considered accurate to within ± 4.9%, 19 times out of 20 (phone) and ± 4.0%, 19 times out of 20 (paper). The fieldwork was conducted over a period of two months, from January to March 2011.

Program Activity: Community Development

Community Adjustment Fund

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
45.1	50.1	49.2

Expected result	Performance indicator	Target[23]	Performance status
Projects resulting in viable, more diversified communities, evidenced by a greater degree of integrated community-based decision making, improved strategic community infrastructure, improved skills in the community and improved access to the skills needed in the community, strengthened community, and sustained partnerships after the projects	Number of projects and initiatives generated	150	Exceeded. 183
	Dollar value of investments created in enterprises or communities	$260 million	Exceeded. $287.6 million
	Enterprises created, maintained or expanded	12	Exceeded. 14

The Agency approved 183 projects in 2009-10 and 2010-11 under CAF, exceeding the two-year target of 150 projects and initiatives. ACOA also exceeded its two-year target of $260 million in CAF investments to enterprises or communities, with a total of $287.6 million invested in Atlantic Canada. In all, the CAF program committed over $101.1 million and leveraged an additional $186.5 million from other sources of funding.

The federal government identified $10 million in funding to assist the lobster industry; $8 million was identified for the Atlantic region and $2 million was identified for Quebec through the Economic Development Agency of Canada for the Regions of Quebec (CED-Q). Of the 183 approved projects under CAF, 28 were for various lobster initiatives, with a total contribution of $7,538,720 and leveraging of $7,746,085. The following project is an example of a CAF Lobster investment:

> ***University of Prince Edward Island, Atlantic Veterinary College, Prince Edward Island***
> ACOA invested $352,000 to develop a long-term marketing strategy for the Canadian lobster industry in collaboration with the Atlantic Veterinary College and the Lobster Council of Canada. A comprehensive marketing plan was developed that will allow communities affected by the crisis in the lobster industry to become more strategic at all points in the lobster sales cycle. The strategy was presented to the Lobster Council of Canada at its meeting on October 1, 2010, and approved.

[23] Two-year target (2009-10 through 2010-11).

Recreational Infrastructure Canada

Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
22.4	24.0	19.4

Expected result	Performance indicator	Target[24]	Performance status
Timely, targeted and temporary stimulus to the Canadian economy and mitigation of the impacts of the global economic recession by increasing the total amount of construction activity related to recreational infrastructure	Demonstrated linkages between projects and economic opportunities	Evidence of impact through examples provided by clients	Met all.
	Dollars leveraged on federal investments	2:1 (every dollar invested by RInC will leverage two dollars)	Exceeded. 2.35:1
	Number of projects successfully completed	200	Mostly met. 188

Between April 1, 2009, and March 31, 2011, 230 projects were approved under RInC, fully committing the Agency's allocation of $34.2 million and leveraging an additional $80.41 million through provincial and municipal governments. As a result, ACOA exceeded its two-year target regarding dollars leveraged on federal investments. With every dollar invested by RInC from 2009-10 through 2010-11, it leveraged $2.35.

The number of RInC projects successfully completed over the two-year period mostly met the two-year target of 200 projects. The discrepancy is due to a number of factors, many of which were beyond ACOA's control, such as severe weather conditions and consequent delays to construction schedules. At fiscal year-end (March 31, 2011), 188 projects were successfully completed and an additional 49 projects were proposed for the extension to October 31, 2011, as per the conditions announced by the Prime Minister in December 2010. The following RInC project illustrates the importance of such investments.

> ***Monsignor Bartlett Memorial Arena upgrades, Newfoundland and Labrador (project under way)***
> The Town of Wabana is benefiting from $253,904 in financial assistance from the Government of Canada to complete Phase II and III upgrades to the Monsignor Bartlett Memorial Arena. The Phase II upgrades include the installation of an energy-efficient ceiling, a dehumidification system, refrigeration plant upgrades, emergency lighting, the replacement of exterior siding and exterior windows, and repairs to the building's foundation. Phase III upgrades include the purchase and installation of a chiller unit for the refrigeration plant, washroom upgrades, improved insulation, a new overhead door, and general renovations to the facility's ice resurfacer area. This $761,712 project is creating employment for 25 individuals for two months – for 225 weeks of employment.

[24] Two-year target (2009-10 through 2010-11).

Section III: Supplementary Information

Financial Highlights

The financial highlights presented herein are intended to serve as a general overview of ACOA's financial position and operations.

Condensed Statement of Financial Position (Unaudited)
as at March 31, 2011 ($ thousands)

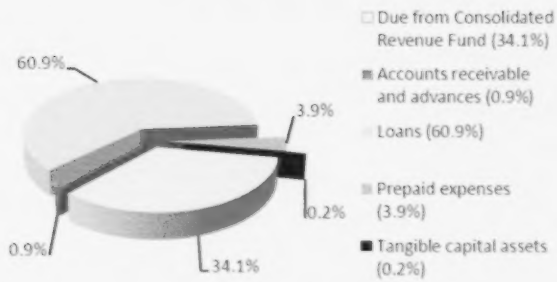
	% Change	2010-11	2009-10
Total Assets	10%	362,709	328,763
Total liabilities	21%	140,898	116,477
Equity of Canada	4%	221,811	212,286
Total Liabilities and Equity	10%	362,709	328,763

Condensed Statement of Operations (Unaudited)
For the year ended March 31, 2011 ($ thousands)

	% Change	2010-11	2009-10
Total expenses	7%	358,590	384,688
Total revenues	1%	9,098	9,231
Net cost of operations	7%	349,492	375,457

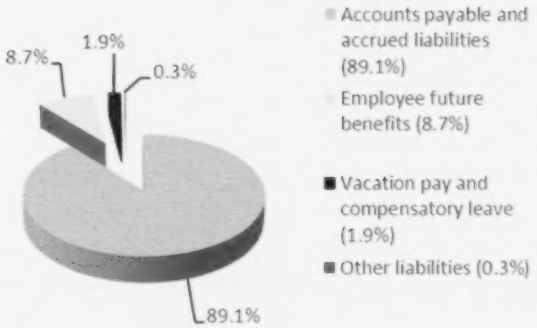
Financial Highlights – Graphs

Assets by Type



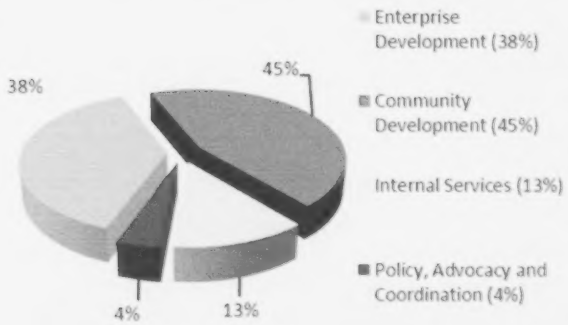
Total assets were $362.7 million at the end of 2010-11, an increase of $33.9 million (10%) over the previous year's total of $328.8 million. The majority of the increase is the account Due from Consolidated Revenue Fund. The primary reason for this increase is the accrued liabilities of the Building Canada Fund – Communities Component.

Liabilities by Type



Total liabilities were $140.9 million at the end of 2010-11, an increase of $24.4 million (21%) over the previous year's total of $116.5 million. The increase relates to accrued liabilities for programs (i.e. the Building Canada Fund – Communities Component) as explained above.

Expenses - Where Funds Go



Total expenses were $358.6 million in 2010-11. Of these funds, $161.3 million (45%) was spent in the Community Development program activity, while $137.8 million (38%) contributed to the Enterprise Development program activity. The total expenditures have decreased by $26.1 million (7%), primarily resulting from a decrease in the total of non-repayable and provisionally repayable contributions.

Financial Statements

The Agency's financial statements can be found on ACOA's website.

List of Supplementary Information Tables

All electronic supplementary information tables found in the *2010-11 Departmental Performance Report* can be accessed on the Treasury Board of Canada Secretariat website.[25]

- Details of Transfer Payment Programs
- Evaluations and Internal Audits
- Green Procurement
- Horizontal Initiatives
- Responses to Parliamentary Committees and External Audits
- Sources of Non-respendable Revenue
- User Fees

[25] See 2010-11 Part III – Departmental Performance Reports (DPR): Supplementary Information (Tables).

Section IV: Other Items of Interest

Organizational Contact Information

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Secure Facsimile: 506-857-1301
Access to Information/Privacy: 506-851-6202
TTY:[26] 1-877-456-6500
ACOA website

Additional Information

The following information is available on ACOA's website.

- Atlantic Canada's 2010-11 Economic Overview and Provincial Economic Profiles
- BDP Repayable Contributions Portfolio
- Information on program sub-activities of ACOA's Program Activity Architecture
  - Innovation
  - Entrepreneurship and Business Skills Development
  - Trade
  - Investment
  - Financing Continuum
  - Community Mobilization
  - Community-based Business Development
  - Community Investment
  - Infrastructure Programming
  - Policy
  - Advocacy
  - Coordination

[26] A TeleTYpe or TeleTYpewriter (TTY) is a special device that lets people who are hearing- or speech-impaired to use a telephone to communicate by allowing them to type and read messages instead of talking and listening. A TTY is required at both ends of a conversation in order to communicate.